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Getting to Know “Everything but Arms”

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Several weeks ago, on 11th February 2019, the European Commission (EC) has launched formal procedure of temporary withdrawal of the “Everything but Arms” (EBA) scheme from the Kingdom of Cambodia. With the EBA assistance, Cambodia’s products have been exempted from tariffs to the EU market, making EU the largest market for Cambodia’s exports. Since the EBA has played a significant role in Cambodia’s development, the suspension of the scheme leads to a serious discussion over the concerns and negative impacts for Cambodia. More and more people in the country and those who may find themselves relevant to the case are now talking about the EBA. Furthermore, various papers and articles about the impacts of the EBA withdrawal from Cambodia are extensively published and shared via social media more than ever before. However, what EBA actually is, and how it works still remains unclear to some people. Below is a brief about it.

Background of GSP

The United Nations Conference on Trade and Development (UNCTAD) in 1968 initiated an important trade scheme known to the public as General System of Preferences (GSP) that offers benefits to the developing countries through grant of trade aids from industrialized countries. The GSP overall objectives aim to increase the exports, promote industrialization and accelerate economic growth of the developing countries. The EU’s GSP scheme is divided into three arrangements such as GSP standard, GSP incentive and EBA. The GSP standard provides 66% duty reduction to any low-income or lower-middle income countries that do not benefit from any trade preference of the EU market. Similar to the GSP standard, the GSP incentive known as the GSP (+) grants the beneficiary states with 66% duty free, while in return the country shall ratify and implement 27 core international conventions that are listed in the GSP regulations, including human rights, environmental protection and good governance. The last arrangement is the EBA scheme that has heavily dominated the current discussion on Cambodian economy and development. As the name of the scheme “Everything but Arms” itself specified, the arrangement is provided to the least developed countries to export all of their products, except arms or weaponry, with duty-free and quota-free access to the EU market.

EBA Scheme and Its General Principles

The “Everything but Arms” was adopted on 28th February 2001 and was put into force on 01st March 2001, which comprised a list of 48 least developed countries, including Cambodia. The arrangement aims to facilitate the least developed countries (LDCs), the beneficiary states, to enhance their trade and economic improvement by making an exemption for them from tax obligation. According to the Regulation (EU) No. 978/2012 of the European Parliament and of the Council, dated on October 25, 2012 in regards to the special agreement for the least developed countries in Chapter IV, article 17, the countries that are in the list recognized by the UN as the least developed countries are eligible to be enlisted as the EBA beneficiary countries (European Union, 2012, p. 10). The beneficiary states will eventually graduate from the scheme once the country loses its status as LDCs by demonstrating that they have already

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attained high capacity and high industrial performance. In principle, the evolution of GSP beneficiary country; whether under the GSP standard, GSP (+) or EBA; is processed as following. The first stage is the establishment of the GSP scheme and the entrance to the EU market. The second stage is the increase of export products from the GSP beneficiary states to the EU Market, commonly known as product diversification. The third stage is the increase of importation of EU products as some products of the beneficiary countries are excluded from the scheme based on categories. Lastly, the beneficiary country completely graduates from the scheme and will stop receiving the trade benefits. However, there is also the possibility that the EBA scheme can be suspended from the beneficiary states prior to their graduation as founded in Chapter V, article 19 regarding the temporary withdrawal provisions common to all the agreements. Thus, any reasons of withdrawal shall comply with article 19 (paragraph 1).

How EBA Removal is Processed?

The procedure of the withdrawal shall comply in accordance with article 19 (paragraph 4) and the following paragraphs in the same article. To remove the special treatment from any beneficiary country, the Commission first shall adopt the implementing act to initiate a temporary withdrawal procedure and inform the European Parliament and the Council of that implementing act. The notices, furthermore, shall be published in the Official Journal of the European Union regarding the initiation of a temporary withdrawal procedure, which shall include sufficient reasons for the initiation and provide information about the mission to monitor and evaluate the situation of the beneficiary country for a period of six months. Upon the stated period, the Commission shall submit the final report of its investigation to the beneficiary within three months after the expiry date of the mission. The beneficiary state has the rights to comment on the report within an additional month given. Within six months from the expiry date of monitoring and evaluating, the European Commission shall conclude their decision whether to terminate the withdrawal procedure or remove the tariff preferences from the beneficiary state. If the finding of the Commission is not justified, it shall adopt an implementing act that complies with article 39 (paragraph 2) of the above regulation. However, if the EC concludes that the finding justifies the temporary withdrawal of the tariff preference from the state for the reasons addressed in the paragraph 1 of article 19, the temporary withdrawal shall take effect six months after the adoption.

Stages	**First Stage**	**Second Stage**	**Third Stage**			**Fourth Stage**
Periods	-	6 months	6 months			6 months
			3 months	1 month	2 months	
Actions	The Commission: Adopts an implementing act Informs the EU Parliament and the Council Publish the notice in *the Official Journal of the European Union*	Monitor and Evaluate the beneficiary country	The commission submits a final report on findings and conclusions.	Beneficiary country summits its comments on the written report.	Decisions: (1). To terminate the temporary withdrawal procedure (2). To temporarily withdraw the tariff preferences	Adoption of the decision The decision takes effect after six months of adoption.

Source: *Regulation (EU) No. 978/2012 of the European Parliament and of the Council of October 25, 2012, Chapter V: Temporary withdrawal provisions common to all arrangements*

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